This seems to be an obvious truism if we make due allowance for what is called the velocity of circulation. If more money is being produced, but the larger amount is not turned over as rapidly as the currency which was in existence before, then the effect of the increase will inevitably be diminished, and perhaps altogether nullified. But other things being equal, more money will mean higher prices, and less money will mean lower prices.

But, as has been said, the question is very greatly complicated by the addition of credit instruments to the volume of money, and this complication has been made still more complicated by the fact that many economists have refused to regard as money anything except actual metal, or at least such credit instruments as are legal tender, that is to say, have to be taken in payment for commodities, whether the seller wishes to do so or not. For example, many people who are interested in currency questions would regard at the present moment in this country gold, Bank of England notes, Treasury notes, and silver and copper up to their legal limits as money, but would deny this title to cheques. It seems to me, however, that the fact that the cheque is not and cannot be legal tender does not in practice affect or in any way impair the effectiveness of its use as money. As a matter of fact cheques

drawn by a good customer of a good bank are received all over the country day by day in payment for an enormous volume of goods. In so far as they are so received, their effect upon prices is exactly the same as that of legal tender currency. This fact is